

**State Employee Benefits Committee  
Tatnall Building, Room 112  
Dover, Delaware 19904**

The State Employee Benefits Committee met April 21, 2017. The following people were in attendance:

**Committee Members:**

Mike Jackson, Director, OMB  
Deloris Hayes-Arrington, Designee of Secretary of Finance  
Molly Magarik, Designee of DHSS  
Omar Masood, Designee of the Treasurer  
Mike Morton, Controller General  
Evelyn Nestlerode, Designee of Chief Justice, Administrator of Courts  
Jeff Taschner, DSEA  
Jenifer Vaughn, Designee of the Insurance Commissioner  
Keith Warren, Designee of the Lt. Governor

**Guests:**

Brenda Lakeman, Director, SBO  
Faith Rentz, Deputy Director, SBO  
Lisa Porter, SBO  
Andrew Kerber, DOJ  
Ann Alexander, DRSPA  
Rebecca Byrd, The Byrd Group  
Ronald Burrows, DRSPA  
David Craik, Pension Office  
Wayne Emsley, DRSPA  
Karin Faulhaber, PHRST  
Jack Freebery, Retiree  
Kim Hawkins, City of Dover

**Guests (continued):**

Leighann Hinkle, SBO  
Lisa Kane, DRSPA  
Regina Mitchell, OMB  
Jim Myran, Finance  
Bill Oberle, DSTA  
Karol Powers-Case, DRSPA  
Pam Price, Highmark  
Dr. George Schreppler, DCSN  
Christine Schultz, PGS  
Wayne Smith, DHA  
Ann Spence, DRSPA  
Daniel Taylor, DRSPA  
Jim Testerman, DSEA-R  
Kathleen Thomas, DRSPA  
Lois William, DRSPA  
  
Mike North, Aetna  
Wendy Beck, Highmark  
Pam Price, Highmark  
Judy Grant, HMS  
Walt Mateja, Truven Consulting  
Kevin Fyock, Willis Towers Watson  
Chris Giovannello, Willis Towers Watson  
Jaclyn Iglesias, Willis Towers Watson

**Introductions/Sign In**

Director Jackson called the meeting to order at 2:00 p.m. Director Jackson clarified that there will be no votes taken at this meeting. The intention is to go through the follow up from prior meetings and have discussions as well as review the fund equity report. Introductions were made.

**Approval of Minutes** - handout

The Director requested a motion to approve the minutes from the April 10<sup>th</sup> SEBC meeting. Controller General Morton made the motion and Jenifer Vaughn seconded the motion. The motion carried.

**Director's Report** – Brenda Lakeman, Statewide Benefits Office (SBO)

**Open Enrollment (OE) Updates:**

- The 2017 Open Enrollment (OE) mini-videos have been launched to all benefit eligible State and school employees. 5181 total completions. 4125 agency employees completed the curriculum out of 14,351 employees which is a 28.7% completion rate; 934 school employees completed the curriculum out of 14,865 which is a 6.3% completion rate; and 122 completed from the separate website for participating groups. Very positive feedback is being received.
- The Benefit Representative meeting will begin Monday and Tuesday next week with Employee Education Sessions beginning on Wednesday with about 500 signed up.

## **Fund Equity – March 2017 – Chris Giovanello (Willis Towers Watson (WTW))**

The March 2107 fund equity was reviewed. Slight deficit of \$3M due to higher claims for Highmark and Aetna as well as the Commercial Prescription rebate budgeted and expected to be received in March was not received which accounts for the slight shortfall from budget. The rebate is expected to be received in April. Nothing alarming is seen and should normalize in April.

## **FY18 GHIP Planning - handout – Kevin Fyock, Willis Tower Watson (WTW)**

Mike Jackson reviewed that the overall State projection is a deficit increase of \$10M from \$385M to \$395M. State healthcare and Medicaid is 30% of the budget and this deficit presents a daunting challenge.

Kevin Fyock began the discussion by reviewing the strategic framework previously approved by the SEBC in December of 2016. This framework supports the opportunities already decided for FY18 as well as additional opportunities being discussed for FY18. These additional opportunities include:

- Adding deductibles to the HMO and PPO plans
- Increasing active and pre-65 retiree premium cost sharing by 1%, 2% and 3%
- Eliminating the Special Medicfill contribution inequity
- Eliminating Double State Share

Clarification was made regarding FY18 savings being attributed to plan savings versus State savings, however these initiatives could be future State savings in FY19 and beyond. Mr. Taschner wanted to clarify that what was now being discussed as a cost inequity with pensioners was a conscious decision made in 2011 with House Bill 81 not to impact current retirees. Director Jackson stated that was six years ago and current times are different.

As a follow up to requests from the April 10<sup>th</sup> meeting, benchmarking was presented to show the relative benefit value of the PPO, HMO and CDH plans compared to the surrounding states of New Jersey, Maryland and Pennsylvania. Relative benefit value reflects how much the plan is paying of the total of health care costs. Relative benefit value equates to actuarial value. The GHIP composite relative value is more generous than the peer group. The employee contribution percentage of the total premium was also illustrated for Delaware compared to the surrounding states with Delaware in the middle of the group at 10%, New Jersey at 9.1%, Maryland at 17.7% and Pennsylvania at 2.8%. Program details for all states were illustrated showing their copay, deductible, coinsurance and out of pocket maximum designs. Questions were asked about the 20% cost sharing benchmark of the WTW survey and what groups constituted this survey. WTW clarified this was a nationwide survey of public sector including states, municipalities and school districts.

Additional follow up was presented to respond to questions on salary-banded contributions as an alternate contribution scenario for the GHIP. WTW modeled one approach with employees in three bands – less than \$35K, \$35K to \$74,999, and \$75K and greater. Using the HMO plan as a model, those in the lowest band would see a 43% decrease in premium while those in the middle band would see a 22% increase and those in the highest salary band would see an 88% increase. Additional salary detail will be received and the numbers will be refined and additional analysis provided at the next meeting.

Various combinations of the cost share scenarios of 1%, 2% and 3% increase in employee cost share along with deductibles of \$50/\$100 up to \$500/\$1000 were illustrated along with the associated total cost savings and state share savings. Statistics were shown regarding enrollment in each plan for active employees by group – schools, higher ed, and agency/DOE showing a higher percentage of enrollment in the PPO plan at the school district level. An accompanying chart showed that 43.5% of school district employees have 100% of their employee contribution offset by flex credits provided by the school district and 30.3% having a portion of their employee contribution offset by flex credits provided by the school district. The distribution of non-Medicare pensioner enrollment was illustrated as well. SBO shared with the Committee the plan recommendations of the myBenefitsMentor tool showing that over 57% of active employees would be recommended to enroll in the Aetna CDH plan, almost 34% in the Aetna HMO plan, 9% in the Highmark First

State Basic plan and less than 1% in the Highmark Comprehensive PPO plan. Discussion ensued about impact to funding to the GHIP if many employees switched to the CDH plan as the state would still pay about the same but employees would pay less. WTW discussed reviewing the possibility of entertaining pricing equity across the plans which would lessen the impact of employee movement across plans. Lastly, the impact of increasing employee cost share and/or adding a deductible would have on the employee making \$25K or \$50K was also illustrated.

As stated at the April 10<sup>th</sup> meeting, traditional mechanisms for managing prescription drug cost (Rx) and utilization in commercial populations are not available to plan sponsors with an EGWP/Medicare Part D population. Express Scripts (ESI) developed a new formulary tier available to the State's EGWP population for Non-Preferred Drugs (NPD) with 830 national drug codes approved by CMS for non-preferred tier. ESI has modeled the savings to the State with \$153,000 for the first year. Member impact modeling was presented regarding the top ten categories of drugs as well as an all other category. There would be 1399 unique members impacted by this changed based on recent past utilization. An appeal process is available to members in this group who need to remain on a higher cost generic drug for a medical reason. If approved, they would be able to continue to pay for that drug at the lower generic copay.

Next steps were outlined for the May 8 and June 26 meetings. May 8<sup>th</sup> meeting will recap the State Employees Health Plan Task Force report, consider any recommendations for changes to active/non-Medicare plans as well as Medicare plans, discuss the Highmark Diabetes Prevention Program, and vote on the Express Scripts high cost generic changes. June 26 will be a broad financial overview as well as a vote on any potential plan changes for Medicare retirees to be effective January 1, 2018.

Molly Magarik inquired as to the status of the Onsite Clinic RFI. Mrs. Lakeman responded that responses are due on Monday, April 24<sup>th</sup>, will be reviewed and findings may be presented at the June meeting as well.

#### **Public Comments**

Wayne Emsley, DRSPA, shared the three rules of pensionomics and a story regarding a former teacher and her journey to the United States and her teaching commitment. DRSPA is concerned about increasing costs for retirees who have dedicated their lives to public service.

Dave Taylor, DRSPA, shared his personal story regarding medical treatment and the need to continue the level of health care coverage at the cost currently provided to state retirees.

Jack Freeberry, retiree, acknowledged the request of Governor Carney for everyone to contribute to the shortfall and expressed his appreciation for the health care benefits provided to retirees. The impact of copays for hospital stays and ER visits or assessment of plan premiums would be significant to retirees compared to the increase in pension that he has calculated to be 0.3% annually since he retired in 2006. Mr. Freeberry also inquired as to retiree representation on the SEBC. Mr. Jackson stated there is no retiree representative but there is a representative from State Workers United.

Karol Powers-Case congratulated Jeff Taschner on reminding everyone of HB 81, requested that the salary banded approach also be considered for retirees and shared that she recently had to pay \$6K out of pocket for two hearing aids.

#### **Other Business**

None

**Motions**

None

Director Jackson announced the next meeting is scheduled for Monday, May 8th. The Director then requested a motion to adjourn the meeting. Controller General Morton made the motion and Jeff Taschner seconded the motion. Meeting adjourned at 3:28 pm.

Respectfully submitted,

Statewide Benefits Office